

**MINUTES**  
**TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS**  
**June 6, 2019 – BUDGET WORKSHOP**

The Board of Commissioners of Transylvania County met in special session on Thursday, June 6, 2019 at 6:00 p.m. for the purpose of holding a budget workshop to discuss the FY 2020 Budget.

Commissioners present were Will Cathey, Jason Chappell, Vice-Chairman David Guice, Chairman Mike Hawkins, and Page Lemel. Also present were County Manager Jaime Laughter, County Attorney Misti Bass, and Clerk to the Board Trisha Hogan.

Media: *The Transylvania Times*- Derek McKissock

There were approximately 40 people in the audience.

**WELCOME**

Chairman Mike Hawkins presiding certified a quorum was present and called the meeting to order at 6:05 p.m.

Chairman Hawkins explained the budget workshop format and briefly explained how Commissioners got to this point in the budget process. He turned the meeting over to the County Manager for facilitation of the budget workshop.

There was no public comment period.

**WORKSHOP FORMAT**

The Manager will serve as the facilitator. She will present information as requested along with known options for each item. She will then open the floor for Commissioners' discussion. Once it appears there are three Commissioners in agreement or when 15 minutes is reached, she will poll the Board for consensus, unless the Board expresses a desire to continue discussion.

**UPDATES TO BUDGET SINCE WORKSHOP 1**

- Received NC 911 Board PSAP revenue confirmation
  - Reduction of \$5,885.15 in revenue for FY 20; reduces revenues in Emergency Telephone Fund by same amount; does not impact General Fund
- Health Department
  - Move \$3,336 from CDC Grant spending to STOP Grant spending; does not change total Health Department spending

**HIGHLIGHTS FOR FY 20**

- Tax increase of 10.5 cents based on voter approval of the \$68 million school construction bond to renovate and expand Rosman Middle and High Schools and Brevard High School for a new tax rate of \$0.616/\$100 valuation
- Total budget of \$60,585,061
- Total tax increase will vary across County ranging from 10.4 cents in Lake Toxaway to 17.89 cents in North Transylvania

<u>Fire District</u>	<u>FY 20 Rate Fully Funded Workshop 1</u>	<u>FD Rate Change vs FY 19 Approved</u>	<u>School Bond Tax Increase</u>	<u>Total July 1 Tax Increase</u>
Sylvan Valley 2	\$0.0550	\$0.0000	\$0.1050	\$0.1050
Rosman	\$0.1431	\$0.0220	\$0.1050	\$0.1270
Little River	\$0.0967	\$0.0061	\$0.1050	\$0.1111
Connestee Falls	\$0.0832	(\$0.0001)	\$0.1050	\$0.1049
Cedar Mountain	\$0.1372	(\$0.0004)	\$0.1050	\$0.1046
Lake Toxaway	\$0.0538	(\$0.0006)	\$0.1050	\$0.1044
Balsam Grove	\$0.1112	(\$0.0006)	\$0.1050	\$0.1044
North Transylvania	\$0.2139	\$0.0739	\$0.1050	\$0.1789

### FISCAL POLICY GOALS

- Develop long-term capital improvement plan
  - Include regular replacement schedules and capital identified in master plans
  - Courthouse
  - EMS Base
- Identify revenue to fund capital needs
  - Economic development and infrastructure support
    - Lease payments from Sylvan Industrial Building to be reinvested
  - Education facilities bond
  - Parks and Recreation- PARTF Grant
- Work toward multi-year budget planning with General Fund
  - Vehicle prioritization, computer replacement schedule, long-range maintenance evaluation
- Implement performance-based budgeting with outcome measures
  - Annual work plan according to County's Strategic Plan in second year of implementation
- Consensus on this year's County needs from Commissioners for recommended budget

### REVENUE PROJECTIONS

- Increasing reliance on property tax
  - Projected growth of tax base is 1.7%
  - 22.8% growth in the total due to the 10.5 cent tax increase
- Sales tax growth 10.3 %
- Positive indicators in interest on investment, permitting, and property transfer fees reflect economic growth
- Revenue growth is steady, but County Administration continues to be concerned that funding increases are outpacing revenue growth in some areas

- FY 20 budget reflects use of reserved and unreserved fund balance

### EXPENDITURES

- If all requests were funded, would have required 4.6 cents additional tax increase
- Compared to last year, there is an increase in education spending due to the passage of the bond
- Even with the implementation of the compensation study, there is a decrease in the percentage of personnel expenditures in the overall budget

### SUMMARY

- Balanced budget of \$60,576,611
- Recommended budget includes the FY 16 two-cent tax increase for capital as a \$1.2 million transfer to fund balance with designations to be made at the end of FY 20
- Recommended budget includes \$6.2 million in FY 20 to go to designated reserve for the education capital bond payments per voter approval
- Recommended budget includes no funding from the General Fund for fire departments
- Implements the compensation study once complete
  - Budgeted for implementation July 1, but may have to delay to August 1 to process the recommendations into payroll
- Recommend continued policy implementation
  - Require complete budget requests unilaterally for all County departments, offices, and funding partners to be submitted during the budget process
  - Continue capital planning and identify long-term capital investments along with maintenance schedules for existing assets
  - Develop compensation philosophy after compensation study implementation

### SOLID WASTE FUND

- No change in fee structures
- No transfer from General Fund is scheduled
- Use of Solid Waste Fund Balance to fund operational deficiencies projected in FY 20
- Continued improvement of management and business practices

### ITEM 1: FIRE DISTRICT TAX RATES (UPDATED FOLLOWING WORKSHOP 1)

The Manager noted that in the Board's agenda packets was information they had requested from Brevard Fire Department and various fire funding scenarios prepared by the Manager. The Manager reviewed the information along with the action taken by the Board at their first budget workshop.

Note: Type in red indicates either requests that were not funded or that the Board wanted additional information on before agreeing to fund. Orange type is a note that is somewhat different from the request that has an impact on the FY 20 budget. Black type indicates the expenditure has been approved.

- Brevard Fire/Sylvan Valley II (total request \$370,113; 46.6% of City fire budget)
  - Declined: City is re-requesting a truck previously listed as a 1996 Rescue Truck with 21,000 miles that had a call volume of 40 calls in the last 12 months at a cost to replace of \$650,000 due to custom cab with a 10 year debt note; comparable stock cab saves \$150,000; impact of payment does not hit due to loan until FY 21; requesting increase in paid staffing budget, including additional part-time two days/week

- Declined: Increase for insurance to part-time employees
- Declined: Request to approve fee schedule (i.e. events); staff recommends developing a countywide fee schedule for all departments if Commissioners agree to concept \*To be addressed countywide in policy development
- Rosman Fire (total request \$664,925)
  - Increase to hire two additional full-time employees (currently two part-time)
- Little River Fire (\$497,110)
  - Part-time staff pay adjustments
  - Operational increases
  - Capital reserve for UTV \$20,000
- Conestee Falls Fire (\$796,350)
  - Property payment \$45,000
  - Planning new station in 2022 which will increase revenue needs
- Cedar Mountain Fire (\$193,100 )
  - Declined: \$160,000 for radios from general fund
  - Reserve request for radios pending
- Lake Toxaway Fire (\$892,609)
  - Last year approved \$70,000 in capital items
  - FY 20 funds in budget requested for staffing increase from two full-time paid staff to four full-time paid staff
  - Reserve request for kitchen upgrade pending
- Balsam Grove (\$100,207)
  - Continuing with not paid staffing. Apparatus are 45 and 36 years old
- North Transylvania Fire (\$271,151)
  - Truck maintenance costs due to loss of member with that skill
  - Capital request coming
  - Last year rate was capped at 14 cents and supplemented from County tax funds at \$102,112
  - Requested consideration of a different funding method not district-based

#### Fire Protection Funding Options

There are various options for funding fire protection services. The current method used in Transylvania County is to fund by fire district. Outside the City of Brevard, which chooses to provide its own fire protection, each of the fire service districts mirrors a tax district. At this stage in the budget process, the Board is limited in its options for implementing one of a variety of funding methods for FY 20. There are, however, other potential opportunities.

One option would be to fund all fire departments from the General Fund. In this case, all fire district rates would be set to \$0.00 and the General Fund tax rate would be adjusted to pay for fire protection services in full. This amounts to \$3.9 million for all the fire departments. The total impact ranges between three and 17 cents depending on the district.

Another option to consider is a hybrid method. One particular hybrid method would set the fire tax rate at 5.5 cents with any overages funded from the General Fund. In this scenario, nearly \$1.3 million would come from the General Fund reflecting the need for a 2.18 cent overall tax increase. This scenario indicates a net tax increase per district ranging from four cents to 12.7 cents.

The Board would not be able to achieve what is commonly referred to as a flat tax with this budget simply because the County would have to develop a tax district that excludes the City of Brevard which takes time the Board does not have to meet the statutory requirement of approving a budget prior to July 1.

This concluded the Manager's presentation and she opened the floor for discussion and questions.

Chairman Hawkins asked for further explanation of the option to set an equal rate across all fire departments and fund the remaining from the General Fund. The Manager explained that this method sets an equal rate of 5.5 cents across the board. Any amount of their budgets not covered by the 5.5 cents would be paid for through the General Fund. The Board could also allocate a portion from Fund Balance or fire department reserve funds.

Commissioner Guice asked the Manager to review the flat tax scenario, understanding that timing restricts the Board from implementing this option for the coming budget year. The Manager explained that a tax district that excluded the City of Brevard would necessitate a tax increase 7.9 to 8 cent tax increase based on this year's budget figures calculated at the end of the first budget workshop.

Chairman Hawkins asked for this item to be on the workshop agenda for discussion. At the previous workshop, Commissioners were in consensus to include in the budget the tax rates based on individual districts without either consideration of a flat tax or assistance from the General Fund for any of the departments in which their budget created an onerous tax situation for their respective district. He supported that option because he did not like the idea of the Board's pulling money from the General Fund each year to supplement departments. He preferred a long-term solution. Although this is currently a problem for one department, he stated it is likely to become a problem for other departments in the future. Since the last meeting, Chairman Hawkins said he has gotten a sense from Commissioners that were in favor of seeing other alternatives that would alleviate the problem for North Transylvania this year and all departments in future years. Chairman Hawkins noted that another option is to fund the departments in the same way the County did for FY 20 – fund at their respective tax rates and supplement North Transylvania from the General Fund.

Commissioner Guice said he considers the service of the fire departments to be critical to the community. He noted how much their work has changed over the years and the time and energy that goes into serving in this capacity. Therefore, the decision Commissioners make on how the departments are funded is important to the community. There should never be a question as to whether a call is going to be responded to and if the department has the necessary equipment to perform their duties. Commissioner Guice was very concerned that everyone in this County receives the same level of protection no matter where they live. He was appreciative of the School of Government's presentation to the Board which provided Commissioners an avenue to learn about their responsibilities as the sole decision makers on how fire protection services are funded. Commissioner Guice thought it was time the County make an adjustment to how fire departments are funded to ensure equity. He thought the flat tax option gave the County the opportunity and formula to alleviate any concerns about funding and level of service. He also stressed that the Board is not interested in creating a Transylvania County fire department.

Commissioner Cathey stated he believed that the taxing authority should be kept as close to the people as possible; therefore, he supported keeping the current funding method in place.

Commissioner Lemel supported moving in the direction of a flat tax option. For the coming year, she was interested in discussing options on a potential 2.18 cents increase for the General Fund – through partial or full use of the Fund Balance

Commissioner Chappell wanted to keep the tax districts as they are and for the funding method to remain the same. He recalled that last year he hesitantly supported the option to cap tax rates and fund one department partially through the Fund Balance. He also recalled the Board's wanting to create a

committee to review the methods further, to include participation from the fire chiefs, but that has not happened. For this reason, he preferred to keep the current funding method in place.

Chairman Hawkins asked the Board if there was interest in revisiting the issue of the North Transylvania fire tax this year. He was interested because of another alternative for funding on the table. He is concerned with alleviating the tax pressure on this department. Of the options presented by the Manager, he was not supportive of the non-hybrid option because it adds a 6.6 cent tax increase on the residents and business owners within the City limits of Brevard. He supported the hybrid option. Without a supplementation from the Fund Balance, a 2.18 cent tax increase would be needed to cover the difference. There is also the option of funding all the departments at a capped tax rate and funding any remaining from the General Fund. While this option is simple and easy to explain, it does not move the Board in the direction of a long-term solution.

Commissioner Lemel struggled with allocating dollars from the General Fund because all taxpayers are supplementing one department. However, there are other departments approaching the 14 cent tax rate. For this reason, she felt it was time for the Board to take a comprehensive approach to this issue.

The Manager stated she had consensus (Guice, Hawkins and Lemel) for exploring alternative funding methods for FY 20 and a flat tax overall.

Commissioner Guice asked how much would be needed from Fund Balance if the rate were set at 5.5 cents. The Manager stated this option would require nearly \$1.3 million from Fund Balance. Commissioner Guice preferred to allocate funds from Fund Balance than create an additional tax.

The Manager reminded Commissioners that 2 cents of the FY 16 tax increase is being allocated toward capital, so taking funds from Fund Balance is essentially a wash. Staff estimates Unassigned Fund Balance at year end to be \$6.4 million and total Assigned Fund Balance at \$12.4 million. Assigned Fund Balance has been allocated for specific purposes.

Chairman Hawkins asked if use of the Fund Balance creates any negative exposure for the County in the short-term. The Manager felt that the County would be okay for the short-term. The issue would be that Fund Balance is the source Commissioners consider for future capital planning.

Commissioner Lemel noted that staff estimates a transfer of approximately \$800,000 into Fund Balance at the close of the fiscal year which covers two-thirds of the overage.

The Manager pointed out \$1.7 million of Fund Balance is being used to balance the budget. How the Board chooses to spend Unassigned Fund Balance is at their discretion.

Commissioner Chappell stated he was against using Fund Balance to pay for fire departments because there are so many other items that need to be addressed, especially with the implementation of the compensation study because it is a huge investment, as well as other large capital expenditures on the horizon.

The Manager stated that it appeared there was consensus to direct staff to prepare the FY 20 Budget Ordinance to set a tax rate of 5.5 cents for all the fire districts and to fund the remaining approved expenditures (from workshop #1) from Fund Balance. She looked for confirmation.

Commissioner Lemel stated that utilizing the reserve funds from across the fire districts would draw down the total budgets by \$453,585, bringing the residual needed from Fund Balance to \$821,860. Commissioner Guice was not supportive of using the fire department reserves. He felt there was a need

for the departments to have the reserves in place. He also stated that budgeting and setting a tax rate are separate items and should be viewed as such.

Commissioner Chappell asked if the consensus is for this year's budget only and if by next year the Board expects to have a long-term solution in place. He asked because the Board is in the same position as it was last year. Commissioner Guice thought it was important to direct the Manager and staff to do what is necessary to move the County in the direction of a flat tax which may create the need for a committee or public hearings. Chairman Hawkins and Commissioner Lemel agreed.

**By consensus, Commissioners directed staff to move forward with the process of creating a tax district that excludes the City of Brevard in the coming fiscal year.**

Commissioner Guice noted that the Rescue Squad responds to a great deal of calls within the City limits of Brevard, yet the City does not provide funding for the Rescue Squad. He wanted to gain a better relationship between the City and County in this regard. The Manager explained that the Rescue Squad provides some services to all fire districts, but they serve as the medical first response for Sylvan Valley II and the City of Brevard. They are funded by County tax dollars and fundraising efforts. The County funding comes from the general tax which is paid by all citizens.

## **ITEM 2: EDUCATION FUNDING**

- Recommendation for FY 20 is to hold the total funding flat at \$12,429,613 which still results in a 3.1% increase in per student funding based on projections (\$3,714.77)
  - Any increase in funding needs to be based on thorough and transparent information for review
  - All requests made should be available to the Board and public
- Recommended against special allocations and that all funding be classified as local current expense to reflect the County's budget ordinance
  - Recommended funding level this year and last year included \$250,000 that can be allocated to food and nutrition, but is funded through local current expense
- Recommended for budget adoption \$1,561,886 in capital following review of projects, additional \$114,929 for school debt, funds for the \$68 million bond capital payments, with funding by project to be paid as contracts and quotes are received for projects over \$50,000
  - Most that were removed were reflected on the capital list as carryover from FY 19 as confirmed by the Finance Directors from both entities
  - \$290,000 of general improvement funds were not included due to lack of detail but can be funded to cover as needed

The Manager pointed out that staff has presented quite a bit of analysis on education funding to the Board. There are two sources of State funding for which Transylvania County Schools does not qualify – Small School and Low Wealth. Compared to other communities, while factoring in student population, the fact that Transylvania County does not have access to these funds impacts the tax rate on citizens. If the County were to receive Low Wealth or Small School funding, it would net the equivalent of a reduction of 3 cents in property tax currently being paid by citizens. Without these funds, overall funding is at a great cost in Transylvania County per student than in other districts. The Manager opened the floor for discussion.

Chairman Hawkins asked Commissioners if they were comfortable with the recommendation to keep the current expense funding flat or if they preferred to adjust current expense, and if so, at what level. He also asked Commissioners to consider the capital recommendations. Chairman Hawkins stated that the Board of Education has no control over salary increases made at the State level which is a significant

component of the increase. Secondly, he noted that Commissioners had several questions about specific capital items. Staff has provided some backup information at their seats this evening, so he was unsure if Commissioners would be able to digest the information and make a recommendation during this meeting.

Commissioner Guice agreed with Chairman Hawkins that many of the funding issues are beyond the Board of Education's control. He did not agree with just giving money without having any data, so he suggested setting monies aside to address the issue once both Boards understand the impacts of the State's budget. Transylvania County funds the School System at a level that is much higher than most counties in the State, but the Board of Commissioners has chosen to do so. He was supportive of continuing to provide enough funding to impact the School System due to decisions made at the State level. In terms of systemwide capital improvements, he understood there are reoccurring expenses such as boilers and chillers and that sometimes equipment malfunctions and must be repaired or replaced. However, he was not interested in seeing fund balance grow. He preferred the County's being able to respond to the School System's needs as they arise. He therefore suggested also setting aside funds to be prepared in the event funds are needed.

Commissioner Lemel supported setting funds aside for these purposes. She wanted to ensure, however, that the employees received their due. She agreed the County should stand ready to assist with significant overages or unexpected capital expense with appropriate justification on all those items. There are legal processes the County must follow if the intent is to be prepared to provide additional funding versus earmarking funds. The Manager pointed out the Board has options. The Board may utilize fund balance and assign funds for a specific purpose. If the funds are not needed, the Board may change the assignment of funds. The Board may also allocate mid-year through the budget amendment process. There will also be \$6.2 million going into fund balance from the tax increase for the bond. The first bond payment will be pending payment in future budget years. The Board could draw from those funds if needed. The third option would be a tax increase specifically for operations. The Board would need to determine the specific dollar amounts so staff may modify the budget ordinance for adoption.

Commissioner Chappell understood, based on his own work experience, the need to budget for unknown items while the State continues to hammer out a budget. He felt the Board should approve the requested increases to cover the amount anticipated in the State budget for current operating expense. He suggested increasing the amount over the requested by \$25,000 to hold the Board of Education harmless for school nutrition and, for accounting purposes, the percentage that must go to the charter school. The Board of Commissioners has been very supportive of the food and nutrition program over the years and he wants to ensure those funds are not reduced.

Commissioner Guice agreed with Commissioner Chappell, but he would like to become more educated on how the food and nutrition program works. He also agreed with Commissioner Chappell that if, in fact, there is a determination made as to how the funds are coded in the budget, he wanted the School System to be held harmless and not lose funding in this program. He commented that at this point no one knows what the State Legislature is going to do, so it is important the funds are set aside to cover what is needed.

Commissioner Lemel stated she wanted the County to be able to help, but she also wanted to understand how declining student enrollment impacts the total cost. In theory, if student enrollment continues to decline, the food and nutrition program should see a corresponding decrease. Commissioner Guice felt that the food and nutrition costs are based on the needs of the community. He felt it was worth asking the Board of Education these questions. Commissioner Cathey also felt that further study was needed.



The Manager polled Commissioners for consensus on the current expense portion of the budget. There was a proposal on the table to set aside dollars in fund balance. She inquired about a sum the Board deemed to be appropriate.

Chairman Hawkins stated it was reasonable for the Board to wait until they know the actual figures before committing to a certain dollar amount. He also wanted to ensure the amount being reserved is a fund that can be accessed for whatever the amount approved in the State budget. The Manager informed the Board that staff would include in the budget ordinance an assigned fund balance for educational operational expenses and would allocate from that fund once the State budget is known.

The Manager noted that the \$250,000 allocated for food and nutrition is coded in current expense. The legal question continues as to how the School System has coded the dollars on their books which has created an audit discrepancy.

Commissioner Chappell was favorable toward giving the School System their additional request in the amount of \$368,500 and increasing the food and nutrition amount by \$25,000 to cover the reduction that would be sent to the charter school. Commissioner Guice agreed.

The Manager noted the Board would also need to discuss their funding method if there is consensus to allocate the full amount requested.

Chairman Hawkins and Commissioner Lemel were opposed to granting the full request of the additional \$368,500.

The Manager offered the option of setting the funds aside in fund balance to cover what is needed once the State budget is known. Commissioner Chappell asked for confirmation that the intent is for these funds to cover the cost of living adjustment, health insurance, and retirement increases for locally paid employees within the School System. The Board and Manager confirmed. The Manager noted the request includes an offset through a reduction of \$300,000,

Commissioner Guice questioned some of the Board of Education's specific requests, including the ESSL teacher, which he felt the numbers justified the need for another teacher. He noted it was not recommended but it should be. Additionally, the increase for charter schools is not within the control of the Board of Education. The Manager noted it would be a factor depending on how much the Board of Commissioners decides to increase funding. It sounded to her like the Board was okay with setting aside a sum of money for the expenses as requested by the Board of Education until there is justification for allocating the funds, specifically for those expenses that are driven by the State budget.

To clarify, the Manager noted there are several itemized requests in the Board of Education's current expense budget that result in an increase. To offset the increases, the Board of Education has proposed to offset with decreases to their budget totaling \$266,000 (decrease of four teachers). Staff would identify the line items that are tied to cost of living, retirement and health insurance that are State-driven decisions and reduce the amount by the proposed \$266,000 operational decrease. This amount would be earmarked in fund balance pending the result of the State Legislature's decisions.

Commissioner Guice brought up the issue with class size ratios. He noted it is a guessing game because no one knows what will happen with student population at the beginning of the school year. He felt the need to address this so that the County does not come up short of funds. The Manager offered to account for some of these unknowns in the budget ordinance.

**The Manager suggested setting aside the entire net amount being requested. The Board can allocate from that account as justification is provided and the funds would then be transferred through the budget amendment process. The Board was in full consensus.**

The Manager called for consensus on the additional capital funds beings requested. The Board of Education asked for an additional \$290,000 in systemwide capital funds.

Chairman Hawkins pointed out that staff's concern about this request is that it is an open-ended item without detail. One possible solution is to do the same as the Board did with current expense – to hold the funds in reserve until justification is provided.

The Manager offered a few different options. The Board of Education has two separate fund balances – one for operations and a second for capital. This provides a cushion for emergency funding. Another option is for the Board of Commissioners to set aside within the County's fund balance a separate amount specifically for this purpose. There is also the capital reserve fund that will be comprised of the 10.5 cents collected for the school bond that could be drawn from as needed. Lottery funds are available as well.

Commissioner Guice said that having an accumulation of lottery funds allows both Boards to address unique opportunities in the future. He noted that the Board of Education's fund balances are limited. He did not believe the additional request was exorbitant. He just questioned where the money should sit in the meantime. Commissioner Guice wanted the Board of Education to know the funds are available if they have issues arise.

Commissioner Chappell was concerned about using the upfront bond proceeds because of the known expenses related to these funds.

Commissioner Guice asked for clarification on how those funds can be used. The Manager stated that once the bond is approved, the Board of Commissioners is required to set a tax rate to cover the obligation (operating and bond payments). Bond payments are not level payments. As those payments roll off, counties are not restricted as to how they utilize those funds for other debt service. For instance, those funds could be used toward debt service to build a new courthouse. Oftentimes, there is a misunderstanding that when counties set a tax rate to accommodate a bond, those funds are specifically earmarked for that purpose, but they are only for that purpose as long as the debt payment is due.

Commissioner Chappell was more concerned about starting off with the practice of using these funds but not so much as when debt starts to roll off.

**The Manager confirmed consensus that the Board wishes to set aside \$290,000 in fund balance for capital.**

Commissioner Guice stated that Commissioners need to have a discussion on how to tackle future capital needs.

### **ITEM 3: PLANNING FOR THE FUTURE**

- Major capital planning- \$75.3 million in capital needs identified by the Board of Education (previously \$93 million)
  - \$68 million school bond vote this fall- Brevard High, Rosman High, Rosman Middle
- Courthouse- estimated at \$26 million-\$31 million for a permanent solution
  - May need to invest in short-term solution for small courtroom

- Construction costs continue to increase
- Capital List
  - Water needs community wide- \$40 million
  - EMS Main Station estimated at \$1.6 million
  - Parks and Recreation- \$32.2 million
    - Does not include Silvermont
  - Economic development/product and site development
    - Sylvan Valley Industrial Building on Ecusta Road
    - Gaia Herb/Town of Rosman sewer project planned
- Total estimated major capital needs estimated at \$121.6 million
- FY 16 approved 2 cents tax increase for capital improvements to pay for projects and avoid debt service
  - VHF radio upgrade-\$1.2 million
  - Finance/HR software upgrade-\$600,000
  - Parks and Recreation improvements, including air conditioning in gymnasium
  - Sylvan Valley Industrial Building-\$4.2 million (utilized other funding sources as well); reinvest lease payments in economic development
- Unassigned fund balance increases mostly driven by employee turnover and used operational expenses each year
- Total estimated fund balance at the end of FY 19 is \$28.4 million and FY 20 is \$28.1 million, not considering further assignment of dollars made by the Board during this budget workshop
- Trend by Board is to look at use of fund balance more strategically and to assign funds toward specific projects; funds can be reassigned as needed
- Expectations/assumptions to fund \$121.6 million in capital projects:
  - Typically, private banks not willing to finance local government more than \$10 million
  - Only two other methods for financing exist: General Obligation Bond and Limited Obligation Bond, both having a timeframe of 20 years
  - If assume existing bond rates, 20-year terms and current property tax revenue values, implementing all at once would result in approximately 19 cents tax increase
    - County Manager would never recommend implementing all these projects at once
  - Previously, County Administration has advocated for using debt service roll off to stabilize the tax rate and this continues to be recommended fiscal policy
  - County Manager recommended Commissioners develop a prioritized comprehensive capital program with funding strategies
  - Note: Board of Education's prior identified long-term capital needs list totaled \$93 million which increases the master capital list total amount of \$139.6 million and requires a 21.5 cents tax increase
  - In FY 16, capital workshop with Tryon Advisors where consultants were able to model projects in real time using software to show the budget and tax implications; another workshop is recommended for this coming fall

The Manager opened the floor for discussion.

Commissioner Guice agreed that the Board needs to develop a comprehensive capital program with funding strategies. He also pointed out there are unique ways the Board can address some of these issues, such as with the debt roll-off payments. He emphasized one of the challenges before the Board that is extremely important to the community is the decision on a new courthouse. Recently, court officials have suspended the use of the small courtroom due to several issues. Commissioner Guice stated that when something occurs that directly impacts court proceedings, it can have an adverse impact effect on the

entire community. However, the real challenges of the building have not changed, and, in fact, they have gotten worse. The challenges are related to the safety of all those working in and visiting that courthouse facility daily. Commissioner Guice's recollection of the previous Board's discussion focused more on the location of a new courthouse rather than the public safety concerns of the current building. He noted there is a group in the community that has been working to address this issue that wants to present to Commissioners their findings soon. He believes the Board needs to determine how this project is going to be funded and with urgency. Commissioner Guice also felt strongly about the EMS station and its current location. To him, these two projects stand out as the most important projects facing the Board.

Commissioner Lemel asked Commissioner Guice if he was asking the Board to consider additional tax for capital planning in the upcoming budget. Commissioner Guice stated it is critical for the Board to plan. At this point, the cost of the Courthouse project has changed although the exact cost is unknown. He felt that now would be a good time to take on this challenge. He was concerned about safety and liability issues in the current building. He also wanted, as part of the process, to review operations to determine if court schedules could be utilized differently to deal with overcrowding, etc. There are several challenges that lie ahead with this project and there are no easy answers, so the Board needs to plan financially for them.

Commissioner Cathey stated he was elected on the Courthouse issue and his position on the issue is well-known. He firmly believed the Courthouse should remain in downtown Brevard. He believes there are options the County should have considered in their property search, such as the former Pickelsimer property. He pointed out that as the former Democrat Mayor of Rosman he never raised taxes and that it would have to be vitally important to the County for him to vote to raise taxes as a Republican County Commissioner.

*Commissioner Cathey exited the meeting at 7:55 p.m. A quorum was still present.*

Commissioner Chappell agreed with Commissioner Guice's comments and stated the Courthouse issue with its safety challenges has been of great concern to him for years. He was pleased there is a group of citizens exploring locations, but he stressed that safety is his chief concern. When the previous Board was ready to move forward, he viewed the funding somewhat differently at that time because 2 cents of the tax rate was being earmarked for capital expenses. He thought it was important to move forward with addressing those safety issues and exploring all options available.

With \$121 million in major capital needs identified, Commissioner Lemel asked if the Board was at a point where they were ready to talk about continuing to raise capital funds to plan and pay for these projects.

The Manager reminded the Board that they are already allocating from fund balance, not only for the recommended budget for operating expense, but also to balance the fire departments' budgets and additional earmarked funds for the School System. This equates to about \$3.9 million coming from fund balance next year. She also reminded the Board that the 2.5 cents tax rate needed last year to repay a USDA loan was for a 40-year term. That funding stream is no longer available. If the rates remained the same, the tax rate would be double on a 20-year term, not considering project cost escalation and the cost of a downtown parking structure. Therefore, it is difficult to provide Commissioners with an exact figure, but she felt it was important for them to be aware of the fund balance drawn down of \$3.9 million that is not considered current revenue. The draw down equates to approximately 8 cents on the tax rate which should be part of the discussion if Commissioners are considering raising taxes for capital purposes.

Commissioner Lemel pointed out that the capital tax increase is being earmarked in assigned fund balance. She asked for confirmation that the additional allocation for fire departments and the School

System would come from unassigned fund balance. The Manager confirmed that \$3.9 million would move from unassigned fund balance to assigned fund balance leaving a balance in unassigned fund balance of \$2.4 million. There would be the offset from the 2 cents tax increase from FY 16, as well as expected continuation from the trend that monies would be transferred to unassigned fund balance at the year's end due to conservative budgeting, turnover, and operational decreases.

Commissioner Guice stated that the Board must develop a comprehensive strategy for these capital projects. However, there are a couple of projects before the Board that are critical, especially the Courthouse. He reported, for the benefit of the public, that the County has had to relocate court due to space and safety concerns which presents huge challenges. He noted that had the previous Board not reversed their decision, the funding would have already been in place for that project. Commissioner Guice stated that he did not run for County Commissioner on one issue or as a partisan. He ran because he wants to give back to the community. He said he understands the decisions before the Board are difficult, but the challenges are not going to go away.

Chairman Hawkins pointed back to Commissioner Chappell's earlier comments that all the items discussed during this budget workshop are interrelated. He also strongly agreed with Commissioner Guice's comments about planning for the future and dealing with those issues in front of them now. He noted that the Board has not made any final decisions tonight; rather, they are developing a proposal to put forth to the citizens in a public hearing. He noted that a large part of what most of the Board has agreed to this evening involves ongoing expenses which impacts the tax rate. Chairman Hawkins stated part of the reason the Board of Commissioners has supported the School System at the level that they have is because they have been able to transfer funds from debt service to operating expense increases. Unfortunately, those roll-off payments are no longer available. Now the Board is saying they will fund the increases through fund balance which still does not address the root issue in terms of school spending. He did not think it was a wise path to draw down from fund balance for recurring expenses. He thought the additional education increases should be funded through an appropriate level tax increase. This is an example of the interrelatedness of these issues and how the Board of Commissioners decides upon a way to deal with them. Chairman Hawkins pointed out during his last campaign that he talked about how taxes should be raised to address the County's many needs. He suggested the possibility of a 2-cent tax increase.

The Manager informed the Board that one cent nets \$587,000. Two cents would net \$1.17 million to offset some of the nearly \$4 million draw down from fund balance. She revealed her concerns with the draw down of the \$4 million since some of it is ongoing expense. She noted that in the past the Board has discussed conducting an operational study in tandem with the School System and she encouraged the Board to look for efficiencies. She commended County staff for always looking for ways to save taxpayer dollars to free up dollars to tackle other needs. She suggested the Board consider the possibility of an operational efficiency study next year.

Commissioner Lemel was very interested in pursuing an operational efficiency study because she thought it was important that we look at ourselves very critically in how we use dollars to make sure we are efficient and responsible with public money to deliver quality service. Chairman Hawkins agreed and stated the study should have been conducted five years ago when it was first put on the table. The County offered it to the School System at the County's expense, but the Board of Education did not want to participate. The Manager added that it would be a strong statement to the public to bring in a consultant to help the organization take a critical look at itself and its operations and make any necessary changes.

Commissioner Guice was reminded that historically the County has looked for efficiencies and conducted some challenging, but great, work. However, there will come a time in which every community will face challenges that are greater than they have ever faced. He stated that very few Boards of County

Commissioners face the task of building a new courthouse. He commended the prior Boards for their study of the issues. Although there are differences of thought on the location, there has been no question about the need. Had the Board moved forward at the time of earlier discussions of this issue, the funding mechanism would have already been in place; nonetheless, *now* it is the responsibility of this Board to see this project through. Commissioner Guice recalled an op-ed piece written by Commissioner Lemel a few years ago, concurring with her comments about the value of having the 94<sup>th</sup> lowest tax rate in the State of North Carolina out of 100 counties. If the County were 70<sup>th</sup> overall, for instance, the amount of money available to the County to address issues for the community today would be in hand. Commissioner Guice stated he is interested in doing what is right for the community, just as previous Boards did when they invested in a new Library, Public Safety Facility and Social Services Building expansion. He pointed out that Transylvania County funds many areas that are not necessarily required by statute, but the Board has chosen to fund these areas at certain levels. He urged the Board to stop being critical of past decisions and move forward and find a way to address the critical needs in our community.

Chairman Hawkins said he believes the key to long-term sustainable economic growth is infrastructure development. Apart from the courthouse, he stated the Board needs to stop pretending there is adequate water and sewer for any kind of real growth in this community. The same goes for adequate broadband capabilities, affordable and workforce housing, etc. There are a lot of needs that are going to take a commitment of time, energy, and resources to address. To Chairman Hawkins, having the resources is the most critical element and, without resources, it is hard to get people to commit time and energy required. He stated he would be willing to add 2 cents as part of a long-term plan, and maybe another 2 cents next year, for the purpose of building a capital reserve.

Commissioner Chappell agreed the County has many needs, but he stressed that each decision made by the Board impacts every taxpayer in Transylvania County. A decision that citizens overwhelmingly supported – the school bond – will impact them greatly starting with this year’s tax bill. This was one of the reasons he was not supportive of implementing a flat fire tax and pulling the overage from fund balance. He suggested having another capital workshop with the consultants and plug the known data into the formula to gain a better understanding of what lies before them financially. Commissioner Chappell also expressed a concern with adding another 2 cents to the tax rate with a public hearing scheduled for less than a week from now.

Chairman Hawkins understood Commissioner Chappell’s concerns. With that said, regardless of the details of what will come in planning sessions this summer or fall, he pointed out the Board already knows the capital needs that exist. At this point, it is a matter of prioritizing those projects. He also agreed with the impact on taxpayers.

Commissioner Lemel expressed her willingness to add 2 cents to the tax rate to plan for future capital expenditures.

Commissioner Guice felt that a 2 cents tax increase was too low. He was supportive of moving forward with another capital workshop and using the known data to populate the model and show how projects can be funded over time. With that said, he thought it was important that Commissioners get started with their planning and therefore agreed to include the 2 cents. Commissioner Guice stressed that he did not want County government to lag either which is why he supported the compensation study. In terms of the bond, he pointed out the voters of this County pushed it through and there is an expectation that the Board will move forward while being prudent with taxpayer dollars and planning for the future.

**The Manager confirmed she had consensus to add another 2 cents’ tax increase for targeting long-term capital needs (capital reserve fund), to move forward with the Courthouse project, to hold a**

**summer or fall capital workshop with Tryon Advisors, and to get more information on an operational study opportunity.**

The Manager informed the Board that as a result of their action during this workshop, staff will revise the draft budget to show a total impact of \$63.77 million which includes the additional 2 cents' long-term capital tax increase for presentation during the public hearing. The budget will also reflect a 5.5 cents' fire tax rate for the fire departments.

This concluded the budget workshop.

Chairman Hawkins thanked everyone for attending the workshop. He announced that public hearings will be held at both the next regular meetings. He thanked Commissioners for all the work they put into crafting the budget as well.

**ADJOURNMENT**

**Commissioner Lemel moved to adjourn the budget workshop at 8:30 pm, seconded by Commissioner Chappell and unanimously approved.**

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Mike Hawkins, Chair  
Transylvania County Board of Commissioners

ATTEST:

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Trisha M. Hogan, Clerk to the Board